Contract To Cockpit: Partnerships and Alliances With Industry And The Warfighter

CAPT Walter Melton

Director, Supplier Operations

Agenda

Transformation

- Organizational Transformation
- Supplier Facing Organization
- Change Of Focus

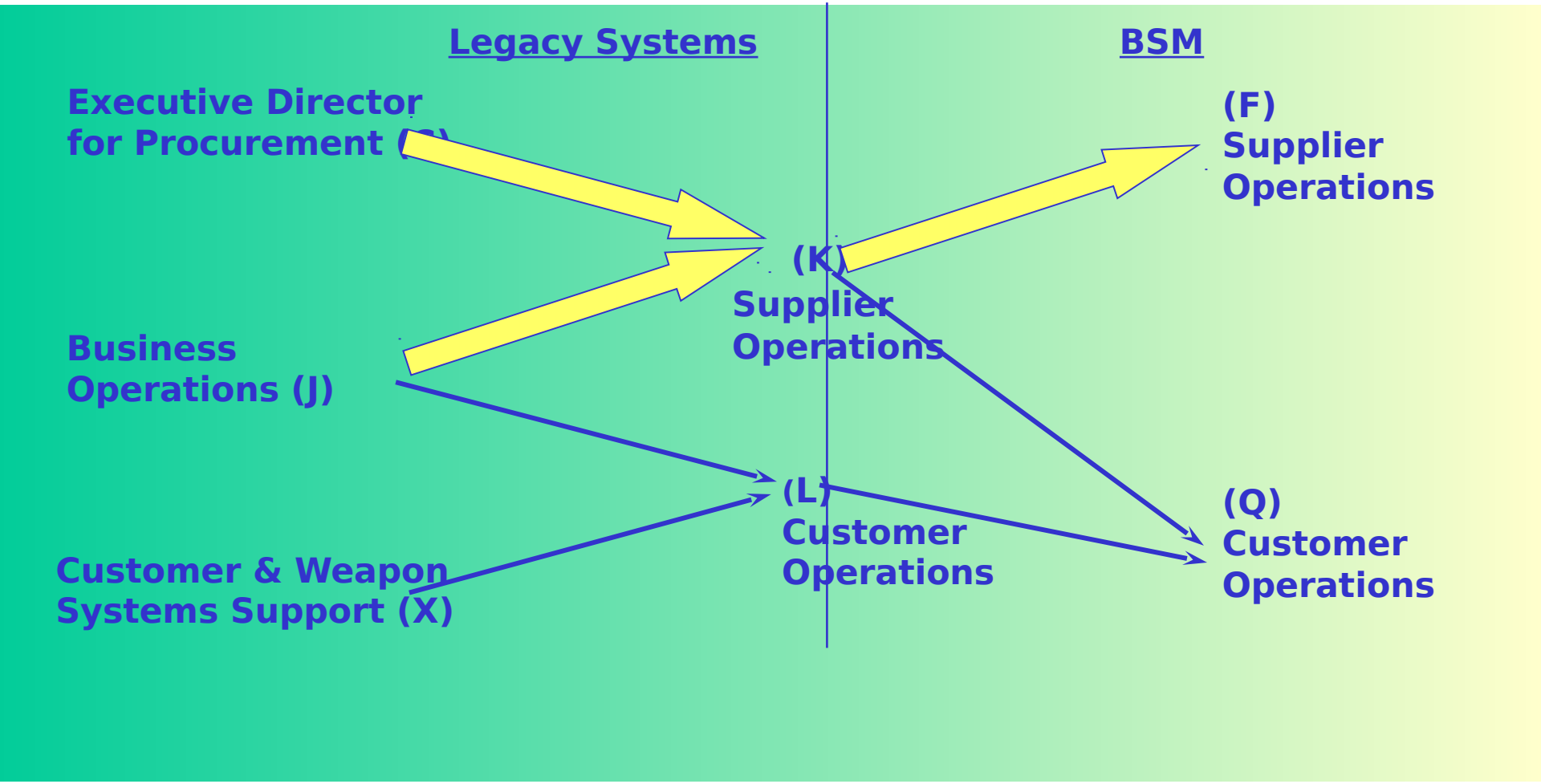
Develop Relationships

- Supplier Teams
- Strategic Supplier Alliances
- Strategic Material Sourcing (SMS)

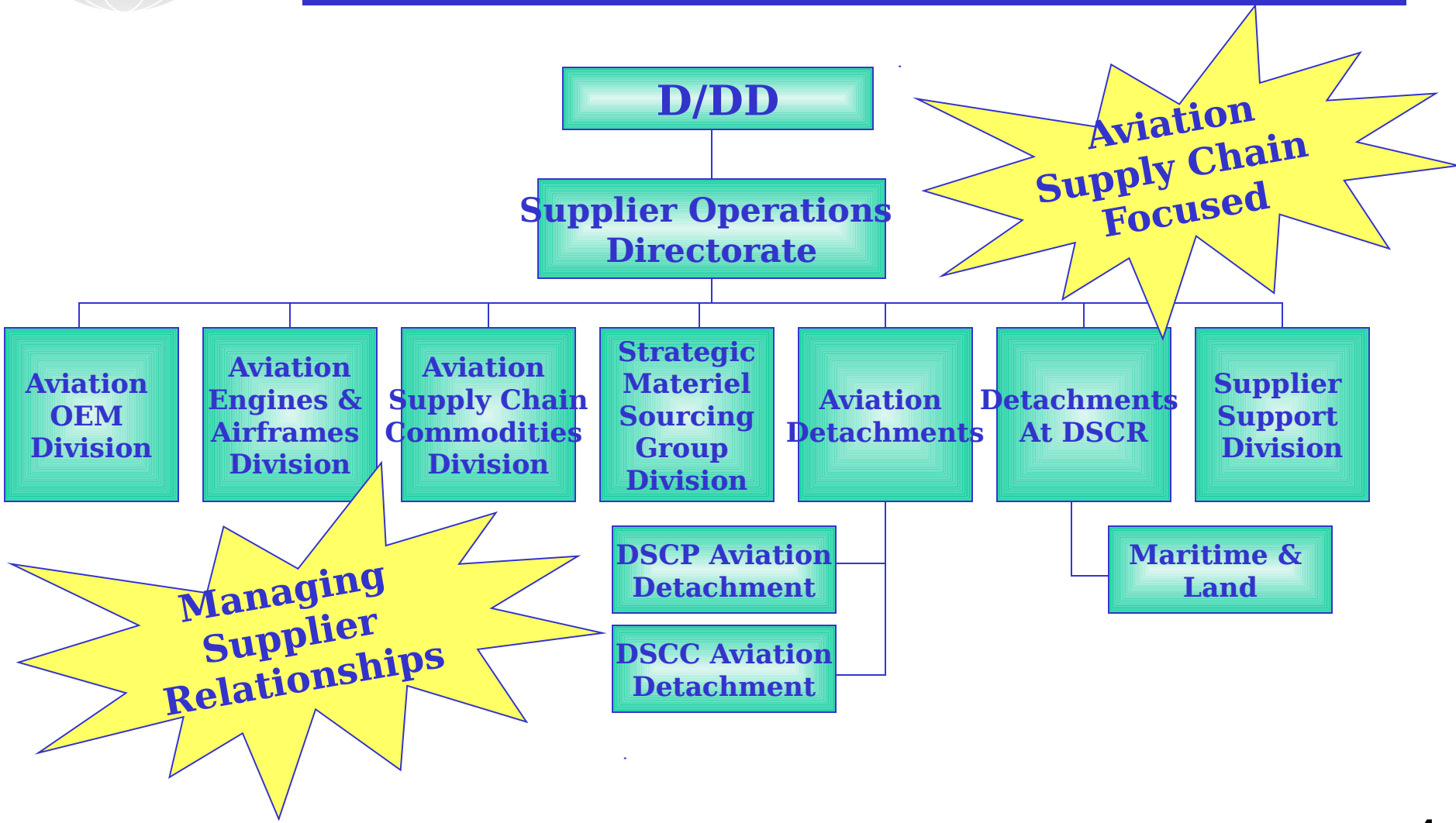
Partnerships/ Agreements

- Performance Based Partnerships
- DLA's Role
- Partnerships

Organizational Transformation

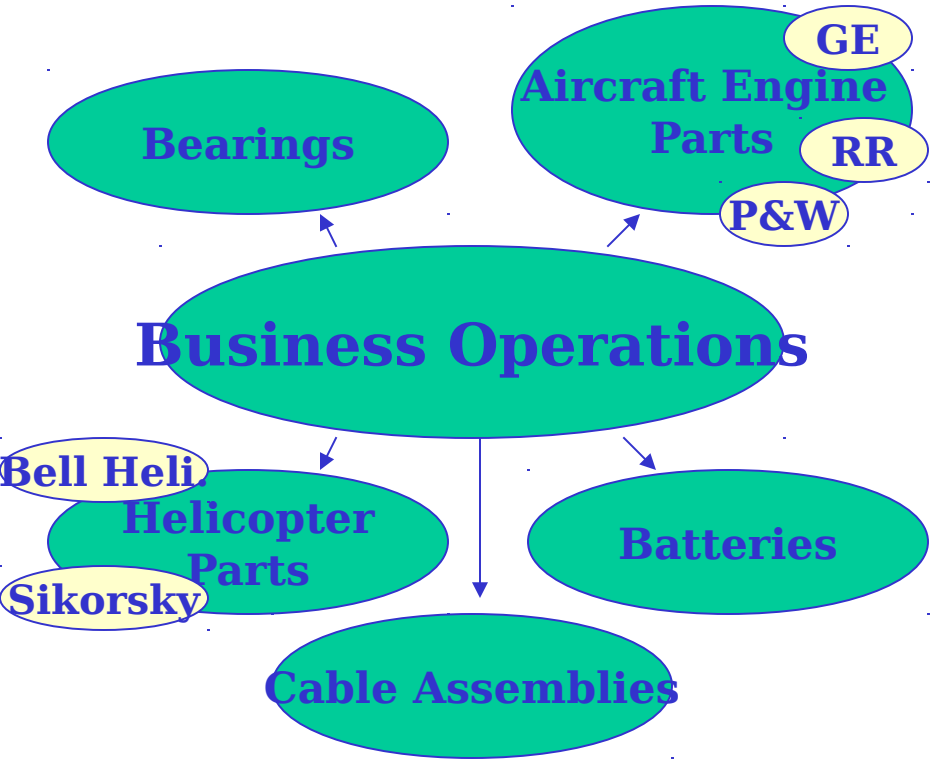


Supplier Facing Organization

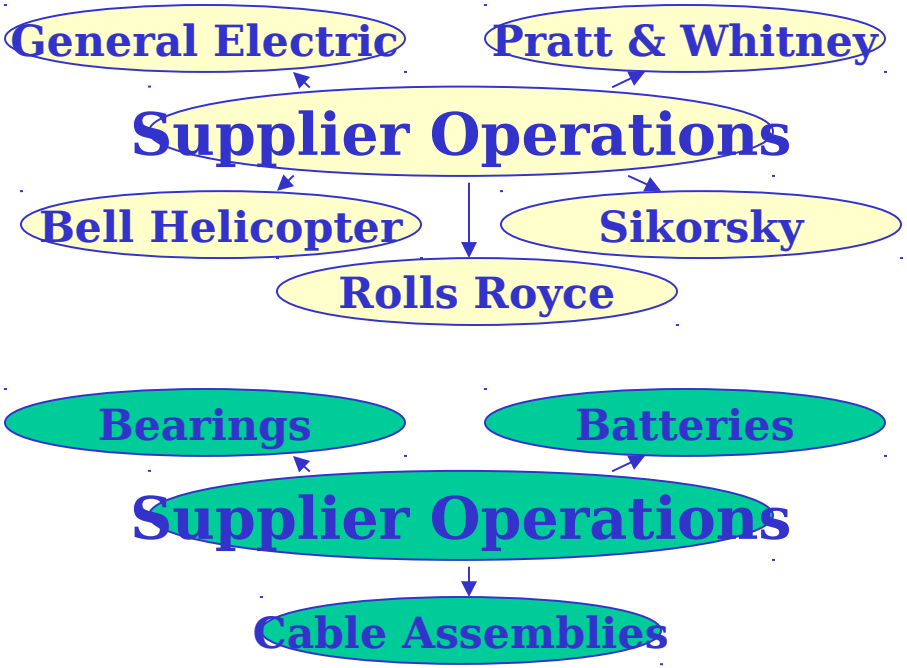


Change Of Focus

PAST
Transactional And System Focused



FUTURE
Strategic and Relationship Focused



Managing → Managing

Agenda

Transformation

- Organizational Transformation
- Supplier Facing Organization
- Change Of Focus

Develop Relationships

- Supplier Teams
- Strategic Supplier Alliances
- Strategic Material Sourcing (SMS)

Partnerships/ Agreements

- Performance Based Partnerships
- DLA's Role
- Partnerships

Supplier Teams

Criteria For Selection

- Significant Number Of Sole Source NSNs
- Significant Number of NSNs Coded To Selected Weapon Systems
- Long-Term Contract Candidate
- Dollar Value of Business

Oct 2002

Honeywell
Boeing
General Electric
Pratt & Whitney
Rolls Royce
Bell Helicopter
Sikorsky
Smiths
Raytheon
BAE

Feb 2003

Lockheed Martin
Northrop Grumman
Eaton
Hamilton Sundstrand
Parker Hannifin
Goodrich
Moog

Oct 2003

Mar 2004

Canadian Comml Corp

Duties

- Manage Large Business OEM
- Sole Source Items Only
- Perform Supply, Technical and Procurement Functions
- Single Face To Supplier

Supplier Team Balanced Scorecard – April 2004

Supplier TEAM	Total ALT	PRs > 180	REPLEN PR's >ALT	HiFREQ LTC %	HiFREQ SA	B/O > 180	Del Rate	PLT	Overall
HNWL	2	3	2	2	3	2	2	2	18
BOE	2	0	2	2	2	0	2	2	12
RTHN	2	3	2			1	2	0	10
SMTH	2	2	2	0	2	2	2	0	12
BAE	2	3	0	2	0	0	2	0	9
SKOR	2	3	2	3	3	2	2	0	17
BELL	2	3	2	3	3	0	2	0	15
GDRH	2	3	2	0	0	2	2	1	12
GE	2	2	2	3	0	2	2	1	14
PRAT	2	3	2	3	0	2	2	0	14
ROLS	2	3	0	3	3	0	2	2	15
HSUN	2	0	0	2	3	2	2	2	13
ETON	2	3	2	0	0	2	2	0	11
MOOG	2	2	0	2	0	0	2	1	9
PHAN	2	3	2	0	0	0	2	2	11
LMAR	2	0	1	0	0	2	2	2	9
NGMN	2	3	2	3	3	2	2	0	17
Total STs	2	2	2	2	2	2	2	2	16

Legend:

COLOR	STD	CRIT	Overall	17-19	
	2	3		14-16	
	1	2		10-13	
	0	0		0-9	

Supplier Team Balanced Scorecard Trends

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
HNWL												
BOE												
RTHN												
SMTH												
BAE												
SKOR												
BELL												
GDRH												
GE												
PRAT												
ROLS												
HSUN												
ETON												
MOOG												
PHAN												
LMAR												
NGMN												
Total STs												

Strategic Supplier Alliance Contract Focus To Relationship Focus

FY01 Contract Focused

- Honeywell SSA
- Military Services Not Principal Stakeholders
- No Focused Structure

FY02 Transition

- Focused On Corporate Contracts Improvements
- SSA Relationship Grown Out Of Contracts
- Initial Engagement Of Military Services As A Principal Stakeholder
- Concept Of Supplier Teams Introduced
- Limited SSA Development Process

FY03/04 Relationship Focused

- Focused On Process, Policy And Total Cost Improvements
- DSCR Resources Committed (SRM Division) To Manage SSA Development
- Long Term SSA Strategy/ Planned Development
- Major Effort To Engage Military Services In SSA

Strategic Supplier Alliances Top Down Approach

Executive Committee 1	Executive Committee 2	Executive Committee 3	Executive Committee 4
Sr. Exec	Sr. Exec	Sr. Exec	Sr. Exec
•Discuss SSA Goals And Opportunities •Discuss Roles / Responsibilities •Discuss How Executive Committee Will Work As Group	•Establish Specific Objectives •Prioritize Opportunities •Establish Timeframes •Establish Executive Committee Sponsors	•Discuss SSA Goals, Specific Objectives And Opportunities With Joint Steering Group •Task Joint Steering Group With Establishing Improvement Teams And Milestones	•Joint Steering Group Updates Executive Committee •Executive Committee Approves Milestones

Executive Committee

Improvement Teams

DLA Strategic Supplier Alliances

DSCC

- AM General
- Dresser Rand
- GDLS and GM Defense *
- OshKosh Truck Co.
- Raytheon
- United Defense LP *
- Night Vision *
- Warren Pump *

DSCP

- AVIBANK
- Alcoa (Fairchild Fasteners) *
- SPS Technologies

DSCR

- Aircraft Braking Systems
- BAE
- Boeing
- Canadian Commercial
- Eaton Corp.
- General Electric
- Goodrich Corporation
- Hamilton Sundstrand
- Honeywell
- Lockheed Martin
- Moog Inc.
- Northrop Grumman
- Parker Hannifin
- Pratt & Whitney
- Rolls Royce
- Sikorsky
- Textron/Bell Helicopter
- Unison Industries *

* Not Fully Established SSAs

SSA Metrics – March 2004

SSA	NSN Growth	ALT % Change	PLT % Change	Quality (PQDRs)	Back orders	Price Control	Delivery	ADV on KT
* BAE	97.01%	-87.3%	18.4%	0	-65.70%	6.3%	Pending	57.89%
BF Goodrich	100.00%	-28.6%	-19.0%	0	-48.20%	-9.2%		76.07%
Bell Textron	133.08%	-89.8%	-60.7%	3	-79.80%	-7.4%		80.63%
Boeing	100.27%	-95.6%	-82.8%	9	-91.60%	-3.6%		48.11%
* CCC	172.48%	-62.3%	-39.0%	0	225.00%	-2.4%		7.10%
Eaton	143.18%	-83.5%	-43.2%	0	-48.70%	7.0%		64.08%
General Electric	99.44%	-54.0%	-9.4%	7	-83.80%	-6.0%		37.91%
Hamilton Sunstrand	101.00%	-72.0%	-43.0%	7	-87.00%	-9.1%		69.85%
Honeywell	113.81%	-79.6%	-15.6%	28	-80.90%	-4.3%		68.08%
Lockheed Martin	92.83%	-75.6%	-44.7%	1	-55.10%	3.9%		12.67%
* Northrop Grumman	90.28%	-62.8%	2.0%	0	-43.50%	-10.3%		2.08%
Parker Hannifin	99.34%	-63.8%	-9.8%	3	-64.80%	-22.9%		63.12%
Pratt & Whitney	113.59%	-71.0%	-12.2%	7	-53.10%	-5.4%		62.22%
Sikorsky	123.20%	-94.3%	-85.6%	9	-92.60%	0.0%		87.24%

** New Contract with few NSNs*

Strategic Supplier Alliances Turning Actions Into Results

Obligations To Honeywell:

Total DLA Obligations = $187M (Apr 03 – Mar 04)

Total DLA SSA Contract Obligations = $74M (Apr 03 – Mar 04)

40% Of DLA Obligations To Honeywell On SSA Contracts

SSA Established: 25 June 1999 (Expanded To Include AF, May 2003)

SSA Partners: DLA, Air Force, Honeywell

SSA Improvements Areas: Contracting
Forecasting

Honeywell SSA - Turning Results Into Warfighter

Improvement	Pre-SSA	SSA
Improve Production Lead Time	161.1 Days	136.1 Days
Improve Administrative Lead Time	114.3 Days	23.3 Days
Reduced Backorders	4634 Lines	884 Lines
Increased Number Of NSNs On SSA Contr		4897 NSNs

April Supply Availability

Honeywell Sole Source Parts = 90.88%

Strategic Supplier Alliances Turning Actions Into Results

Obligations To Sikorsky:

Total DLA Obligations = $89M (Apr 03 – Mar 04)

Total DLA SSA Contract Obligations = $82M (Apr 03 – Mar 04)

93% Of DLA Obligations To Sikorsky On SSA Contracts

SSA Established: 20 November 2003

SSA Partners: DLA, Army, Sikorsky

SSA Improvements Areas: Contracting
Pricing
Forecasting
Information Technology

Sikorsky - Turning Results Into Warfighter Support

Improvement	Pre-SSA	SSA
Improve Production Lead Time	265.4 Days	38.3 Days
Improve Administrative Lead Time	90.7 Days	5.1 Days
Reduced Backorders	2403 Lines	178 Lines
Increased Number Of NSNs On SSA Contr		4391 NSNs

April Supply Availability

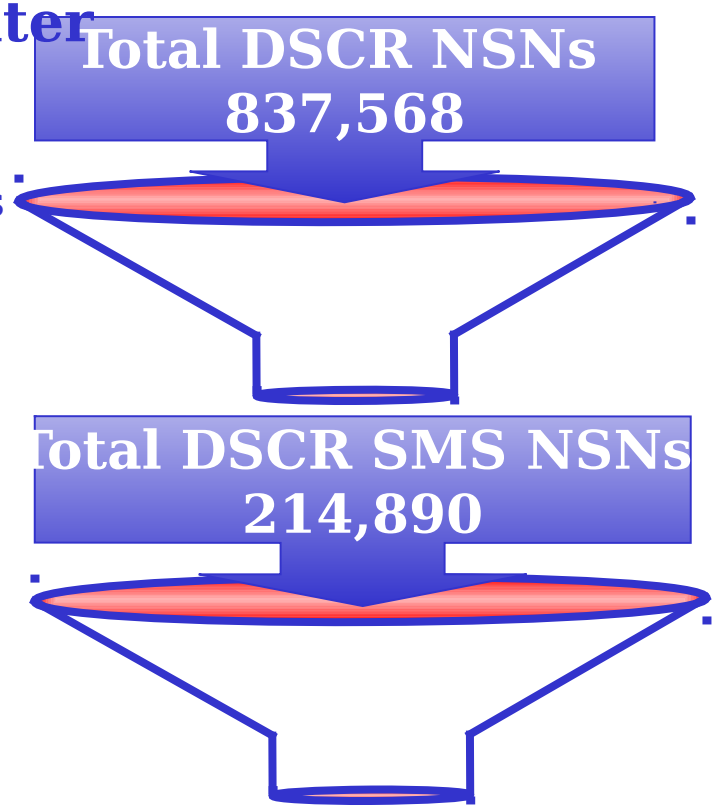
Sikorsky Sole Source Parts = 97.79%

Strategic Material Sourcing

DLA is targeting a population of items that will have the most impact on the aviation business and ability to support the warfighter

SMS Criteria
- % of Sales
- % of Demand Frequency
- % of shipped NMCS Days
- Critical Item Coding
- Inventory Coverage
- Ordered in the Last 2 Yrs
- WSIC Codes

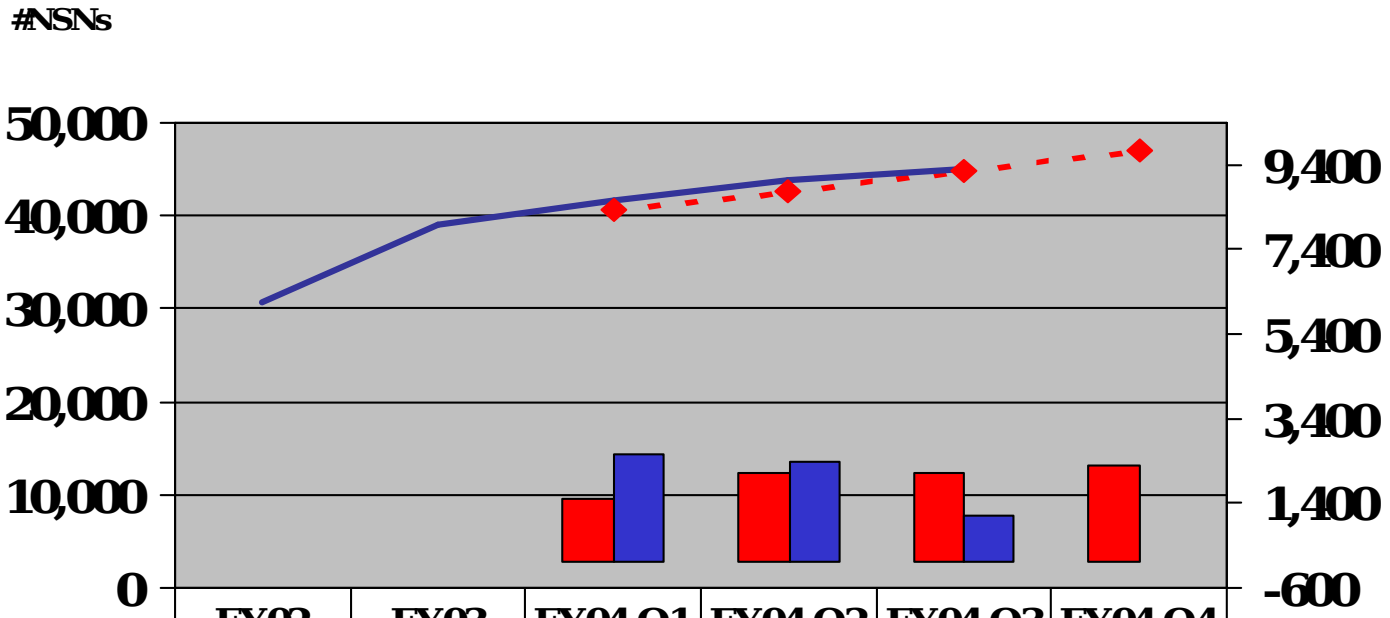
SMS For LTC Criteria
- Stock On Hand
- Obsolete
- Level Of Demand
- Already On LTC



How Are We Doing ?

Strategic Material Sourcing

DSCR SMS NSNs On LTC



	FY02	FY03	FY04 Q1	FY04 Q2	FY04 Q3	FY04 Q4
Qtrly Planned			1500	2100	2100	2300
Qtrly Actual			2546	2369	1092	
Cum Planned			40556	42656	44756	47056
Cum Actual	30652	39056	41602	43779	44971	

44,971

Agenda

Transformation

- Organizational Transformation
- Supplier Facing Organization
- Change Of Focus

Develop Relationships

- Supplier Teams
- Strategic Supplier Alliances
- Strategic Material Sourcing (SMS)

Partnerships/ Agreements

- Performance Based Partnerships
- DLA's Role
- Partnerships

Options for DLA Role in Performance Based

- DLA Manages the Consumable Parts Supply Chain
  - Enhanced by Transformational Initiatives
- DLA Includes Consumable Items on Military Service's Contracts
  - Only Unique Sole Source/Proprietary Parts
- DLA Is Source of Supply to Service Product Support Integrator (PSI)
  - Common and Unique Consumable Items If Best Value
  - If Not Best Value for Unique, PSI Requisitions Assets in Inventory Until Depleted
- Or, Some Combination of the Above

Performance Based Partnerships

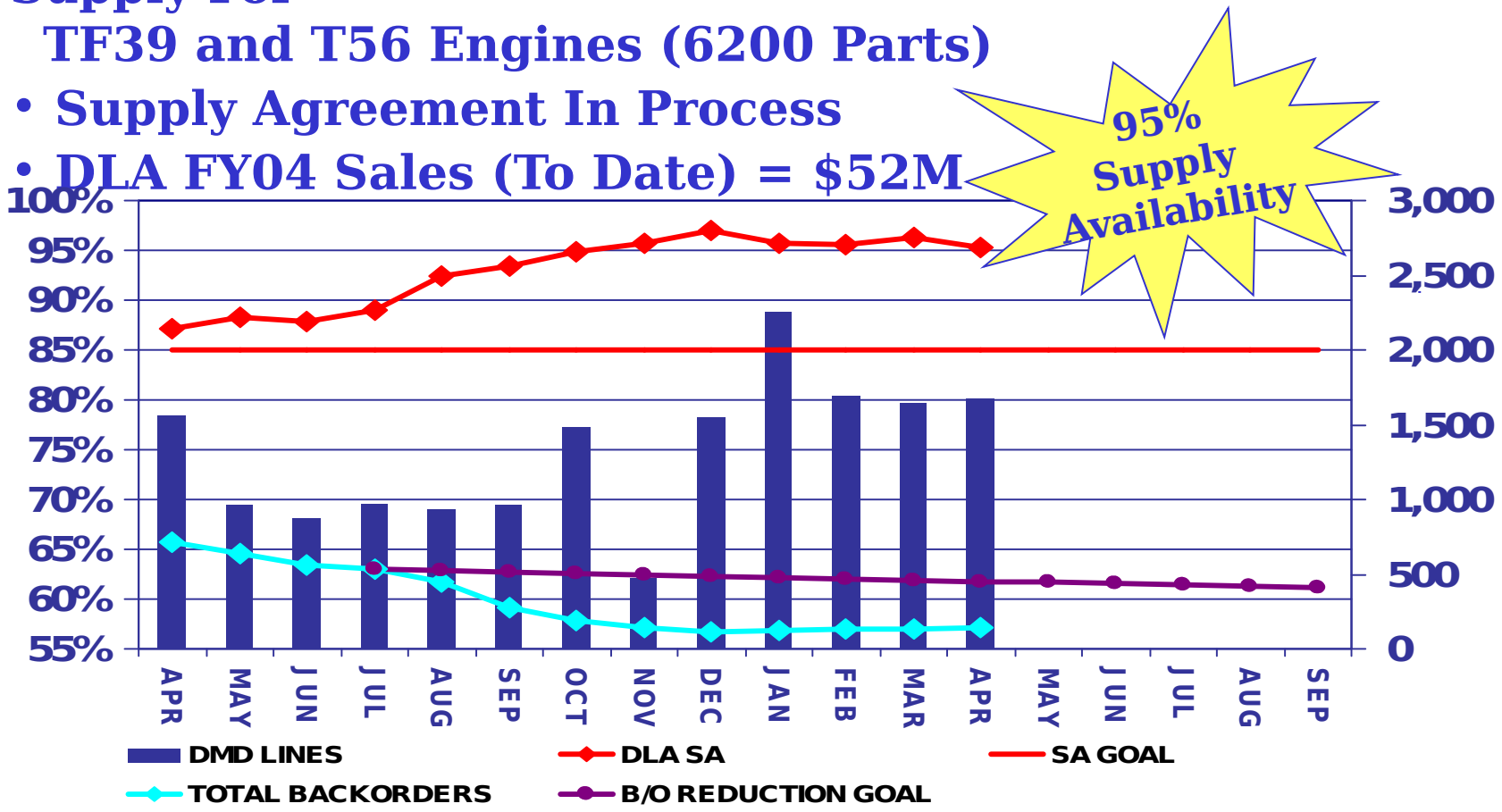
Partnership Effort	Partner Efforts		DLA Partnership Participation	
	Service	Contractor	Full Partner With Service	Partner With Contractor
KAC T56/TF39	Air Force	Lockheed Martin Kelly Aviation Center		X
S-3	Navy	Lockheed Martin		X
F/A-18 Kits	Navy	Lockheed Martin		X
F/A-18 E/F	Navy	Boeing	X	
CASS	Navy	Lockheed Martin	X	
APU CP	Navy	Honeywell		X
J52 Engine	Navy	Pratt &Whitney		X

Performance Based Partnerships

Partnership Effort	Partner Efforts		DLA Partnership Participation	
	Service	Contractor	Full Partner With Service	Partner With Contractor
AV-8B	Navy	Boeing		TBD
CH-47/AH-64	Army	Boeing		TBD
SH-60	Navy	Lockheed Martin, Sikorsky		TBD
F404 Engine	Navy	General Electric		TBD
Kiowa Warrior	Army	Bell Helicopter, Inc.		TBD
H-46 Phase I	Navy	Boeing		TBD
H-46/H-53 APU	Navy	Hamilton Sundstrand		TBD
H-46/H-53 Eng Fuel Control	Navy	Hamilton Sundstrand		TBD
H-53 Phase I	Navy	Sikorsky		TBD
JSF	Navy, Air Force	Lockheed Martin/Honeywell		TBD
F/A-18 ME	Navy	Honeywell		TBD

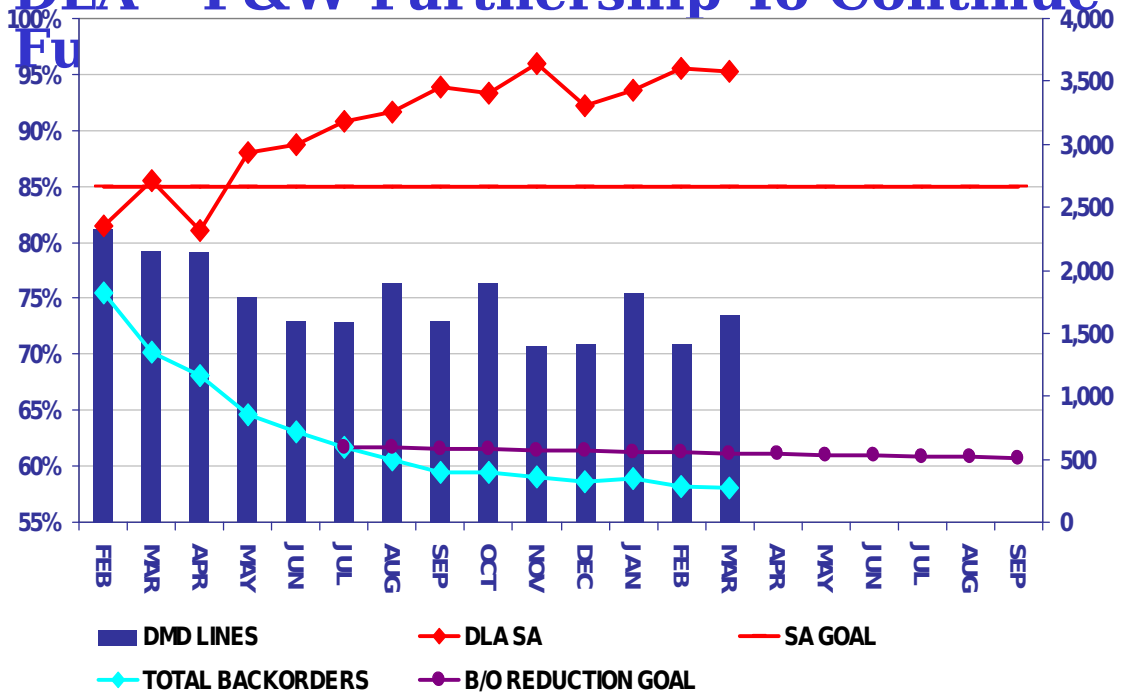
Partnering With Industry KAC

- Kelly Aviation Center Utilizing DLA As A Source Of Supply For
  TF39 and T56 Engines (6200 Parts)
- Supply Agreement In Process
- DLA FY04 Sales (To Date) = $52M



Partnering With Industry J52

- Pratt & Whitney Utilizing DLA As Source Of Supply For J52 Engine
- Supply Agreement Established February 2003
- Sales From Feb 03 – Apr 04 = 361 Orders, $3.5M
- DLA – P&W Partnership To Continue When Navy Awards Fu



For NAVICP J52 Support:

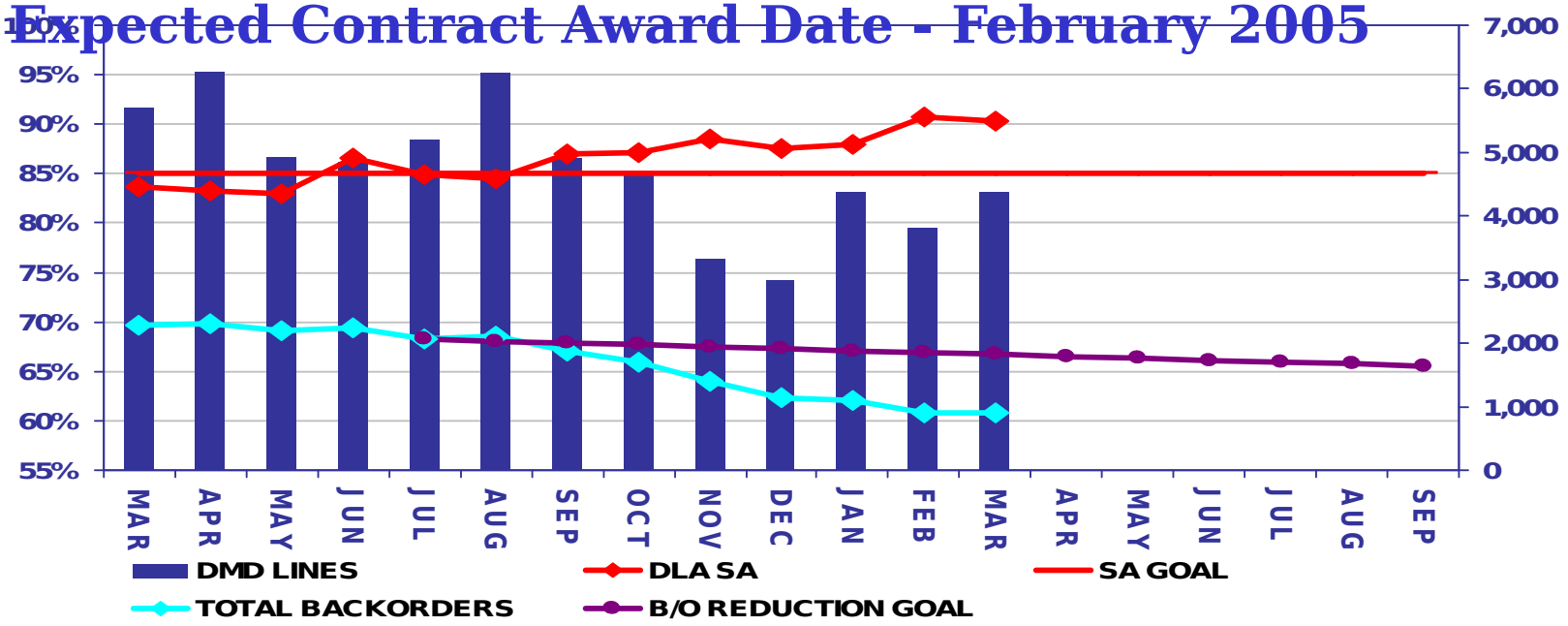
SA = 95%

Demand Lines = 361

Backorders = 0 Lines

Partnering With Industry F404

- GEAE And DLA Partnering To Improve Support On F404 Consumables
  - DLA Managed Parts: 3,460
- Performance Based Contract
- GE To Source From DLA On Best Value Basis
- Expected Contract Award Date - February 2005



Summary

- **Organizational Transformation With Change Of Focus**
- **Developing Relationships Through Strategic Supplier Alliances**
- **Establishing Agreements/Partnerships**
- **SMS Metrics And Tools Measure Results**